

Credit crunched?

Support for business start-ups in London

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The Economic Development, Culture, Sport and Tourism Committee agreed the following terms of reference for this investigation on 21 January 2009. To examine:

- The role and potential role of business start-up in aiding London's economic recovery; and
- The role and potential role of the Mayor, the London Development Agency (LDA) and other public bodies in supporting businesses to start in London.

The Committee would welcome feedback on this report. For further information contact Richard Berry on 020 7983 4199 or richard.berry@london.gov.uk. For press enquiries contact Mital Shamji on 020 7984 4504 or mital.shamji@london.gov.uk.

Contents

	Chair's Foreword	6
	Conclusions and recommendations	7
1	Introduction	10
2	Business start-ups in London's economy	13
3	What more can the Mayor do to stimulate new businesses?	23
	Appendix 1 London Development Agency submissions	32
	Appendix 2 Support for new businesses in London	40
	Appendix 3 Views and information	42
	Appendix 4 Orders and translations	45
	Appendix 5 Principles of scrutiny	46

Chair's Foreword

Is there anything the Mayor and the London Development Agency can do about the recession? The financial crisis is a global force that requires international action to tackle it. Yet, as this report shows, there are things that can be done at a more local level to help London out of the recession.



Helping new business to start up is one of these things. It is not a silver bullet but it is an important component in a package to stimulate London's recovery. In a recession, many businesses go to the wall and we need new businesses to replace them.

There is no shortage of ideas for business start-ups and therefore the challenge is deciding where the limited resources should best be directed. It is not just a matter of deciding how and where to invest but also judging whether policy intervention is relevant at all.

One worrying trend is that there would seem to be less public investment in this area than there was last year. Given the increase in demand created by the recession, and the need for new business to replace those that have been lost, investment in business start-ups should be a high priority for the Mayor and the London Development Agency.

London does not need to reinvent the wheel. There are many lessons that we can learn from successful schemes elsewhere in the country.

The capital's economic recovery depends on generating new businesses. We must ensure that the Mayor and the London Development Agency concentrate their efforts to produce the greatest benefit.

Dee Doocey AM

Chair, Economic Development, Culture, Sport and Tourism Committee

Conclusions and recommendations

New businesses will play a crucial role in London's recovery from the recession. Tomorrow's entrepreneurs will create jobs and potentially stimulate markets that will further diversify London's economy.

In some ways London is in a good position to generate these new businesses. Historically the capital has a pool of talented people who have set up their own businesses and the recession is creating redundancies amongst skilled professionals many of who will now look to launch a business.

However, our investigation has highlighted two worrying trends. The level of entrepreneurial activity in the capital has been declining over the last few years to the point that it is now not significantly higher than other parts of the country. Furthermore, London has a higher business failure rate than anywhere else in the UK.

It is therefore more important than ever that those looking to set up new businesses receive the best possible support. We heard of a number of examples of excellent business support services provided by successful entrepreneurs. There are also schemes available for new businesses to obtain start-up funding.

The majority of these programmes to support business start-ups are funded by central government. The London Development Agency and ultimately the Mayor control this funding.

We found evidence that some successful programmes to support new businesses have had their LDA funding cut and others have ceased altogether. The Mayor has launched an Economic Recovery Action Plan and some of the measures within it will support business start-ups. The bulk of this funding has, however, yet to be made available.

The Committee therefore believes there is a need to develop the Economic Recovery Action Plan to increase the priority given to business start-ups. We make a number of recommendations in the areas of business advice, access to finance and accommodation which we believe would increase the chances of London creating the successful new businesses needed to help move the capital out of recession.

The Mayor's Economic Recovery Action Plan should give increased priority to start-ups.

There is an opportunity for the Mayor and the LDA to help create economic growth in London again. It is an opportunity that should not be missed.

Recommendations

In this report the Economic Development, Culture, Sport and Tourism Committee makes the following recommendations in the three key areas of business advice, access to finance and accommodation:

Advice

The Committee recommends that the London Development Agency uses £1.4 million of its unallocated £8 million 2009/10 budget to restore Business London to its 2008/09 funding level.

Furthermore, the Mayor and LDA should work with Capital Enterprise and the British Library Business and IP Centre to develop a strategic approach to the provision of mentoring support for potential entrepreneurs. Appropriate funds should be allocated from the 2008/09 underspend to deliver this strategy and the Mayor and LDA should report back to the Committee on progress with these discussions by October 2009.

Access to finance

The Committee notes that 75 per cent of the Mayor's Economic Recovery Investment Fund announced last year will not be available until 2010. We recommend that the Mayor and London Development Agency bring forward this date to meet the current need of start-ups who are struggling to access finance. Also we recommend that, in recognition of the fact that the government's Enterprise Finance Guarantee Scheme is targeting existing small and medium sized enterprises, the remaining £7.5 million of the Economic Recovery Investment fund should be provided solely for start-ups and early stage funding.

The Committee also notes that even if this recommendation is accepted it will not replace the reductions in finance for start-ups since January 2008. We therefore urge the Mayor to consider the potential to increase this provision and to set out in his response to this report how he plans to address the unmet demand for start-up finance created by the ending of the £7 million research and

development grants, the £15 million London technology fund and the £6.65 million Creative Capital Fund.

Accommodation

We recommend that the London Development Agency discuss with Capital Enterprise the potential for supporting its Empty Property Scheme and to identify ways in which the Mayor and LDA could use their influence to increase the affordability of empty business properties in London. The LDA should report back to the Committee by October 2009 on progress with these discussions.

1 Introduction

Small and micro businesses provide jobs for nearly two million people in London.

- 1.1 The London economy, like that of the rest of the UK's, remains "mired in recession".¹ Unemployment in London in March 2009 was four per cent and had increased by more than 50 per cent over the previous 12 months.² Other indicators of economic performance are also declining such as the levels of business activity and new orders. Business confidence is low and Londoners are tightening their belts to weather the economic storm.
- 1.2 In this environment it can, at first sight, seem counter-intuitive to examine the support available for people wanting to set up their own businesses in the capital. But London's economy is heavily reliant on the rate of business start-ups. Existing small and micro businesses make up more than 90 per cent of all businesses in the capital providing jobs for nearly two million people.³ Many of these will inevitably fail in the current economic climate. London's recovery will therefore depend to a large extent on these businesses being replaced with new ones. Amid the economic gloom there are some signs that the rate at which the economy is contracting is slowing down and attention is now inevitably turning to the measures necessary to help London out of recession.
- 1.3 This report argues that encouraging new businesses to replace those that have failed should be a significant part of any package to stimulate London's economic recovery. New businesses typically create three new jobs within two years and 64 per cent of all new jobs in the UK are created by self-employment.⁴ These facts suggest business start-ups will play a crucial role in helping London out of recession.
- 1.4 Furthermore, there is evidence that the relatively low cost of goods and labour in an economic downturn create a potentially inviting environment for prospective new businesses.⁵ For example, highly successful businesses such as Pret A Manger and Cobra Beers were products of the last UK recession in the 1990s. There is also likely to be a pool of highly skilled individuals in the capital looking to develop business ideas. A recent survey suggested nearly half of 'professionals recently made redundant' were interested in investing their

¹ Based on claimant count unemployment data. See *London's economy today*, Greater London Authority, April 2009

² Ibid

³ *Keeping London open for business*, Federation of Small Businesses, March 2008

⁴ Written submissions from Capital Enterprise and Federation of Small Businesses

⁵ *Business Information Guide*, More Than Business, June 2009

redundancy payments in their own business ideas.⁶ It is clearly important that those with viable ideas are given the best advice to enable them to succeed; similarly, others may decide that setting up a new business is not right for them in the light of such advice.

- 1.5 This Committee therefore decided to examine the support available to those wishing to set up their new businesses. We focused our attention on the London Development Agency (LDA), the Mayor's agency responsible for driving economic growth in the capital and the lead body delivering the Mayor's Economic Recovery Action Plan. But no such study would be complete without examining the complex network of support for small businesses within which the LDA operates. For example, some of the most successful support for budding entrepreneurs is not funded or controlled by the public sector.
- 1.6 Nevertheless, there is a general consensus that there are gaps in the market and therefore a role for the public sector in encouraging the setting up of new businesses and giving them the best chance of survival. The difficulty is answering the key questions that the LDA grapples with in all its work: where is there market failure and where should the LDA and Mayor divert their limited resources to maximum effect?
- 1.7 In seeking to contribute to an answer to these complex questions the Committee examined a wealth of evidence including recent academic findings on the role of business start-ups in economic recovery; over 50 submissions from public, private and voluntary sector providers of support for small businesses; a survey of those who had recently received help to set up a business in the capital; and the views of experts, practitioners and representatives of the Mayor who gave evidence at the Committee's public meetings.
- 1.8 This report summarises the findings from this information and our recommendations, which are informed by it, are intended to be a constructive contribution to the on-going debate about how best to promote London's economic recovery. The Mayor's economics adviser told this committee that the Economic Recovery Action Plan was a "living document" and that he and the Mayor "are constantly open to

New businesses typically create three new jobs within two years. 64% of all new jobs are created by self-employment.

⁶ LinkedIn survey, See *Half of professionals 'would use redundancy package to launch start-up'*, www.morethanbusiness.com, April 2009

new ideas and new suggestions”.⁷ We welcome this flexibility of approach and in this spirit this report is intended to inform the ongoing revisions to the Action Plan

⁷ Anthony Browne, Economic Development, Culture, Sport and Tourism Committee meeting, 21 January 2009

2 Business start-ups in London's economy

- 2.1 London thrives on its enterprise culture. A recent comparison of UK city regions showed that early stage entrepreneurial activity in London was the highest of any region in the UK.⁸ However, there is some evidence that this relative advantage is decreasing. The same research shows that entrepreneurial activity has been on the decline in London since 2006. Significantly this decline started before the economic downturn and took place at the same time as an increase in other UK regions.
- 2.2 Furthermore, the overall strength of London's position masks sub-regional and other variations. For example, in 2008 inner London had an activity rate of 9.5 per cent compared with 6.4 per cent in outer London.⁹ Similarly the same research found that entrepreneurial activity by women in London has been decreasing since 2003 and is now below the UK average.
- 2.3 The practical outcome of this entrepreneurial activity is obviously new businesses. It is estimated that 55,000 new businesses opened in London in 2008/09. However, as a result of the recession it is expected that this number will fall in 2009/10 by around 20 per cent. Furthermore, London also has a relatively high failure rate of businesses compared with other regions of the UK. In 2005 the Government reported that the capital had the lowest one-year and three-year business survival rates of the English regions (91 per cent and 67 per cent respectively).¹⁰
- 2.4 The expected decline in the number of new businesses in the recession and the high failure rate invites the question whether there are policy interventions that could both encourage new businesses and help them to survive in the long-term to provide new jobs and economic growth in the capital. To begin to answer this question it is important to try to understand what advice and support services encourage successful business start-ups and what is on offer in the capital now.

33% of new London firms fail within three years, the highest rate in the country.

⁸ *Regional Economic Performance PSA indicators*, Department for Business, Enterprise and Regulatory Reform [see <http://stats.berr.gov.uk/reppsa2/>]

⁹ Based on the Department for Business Enterprise and Regulatory Reform's measure of Total Entrepreneurial Activity which records the percentage of the adult population engaged in such activity. Sub-regional breakdowns from the source data provided by Global Enterprise Monitor (GEM) were provided at its 2009 conference.

¹⁰ *Survival Rates of VAT-Registered Enterprises: Key Findings*, Department for Trade and Industry Small Business Service, February 2007 [see <http://stats.berr.gov.uk/ed/survival/Key%20Results1.pdf>]

An increase in redundancies during the recession has meant more people are considering starting a business.

What is the demand for support for business start-ups?

- 2.5 There are two types of entrepreneur: the necessity entrepreneur who feels that he or she needs to start a business because it is the best option in terms of jobs or lifestyle; and the opportunity entrepreneur who sees a business opportunity and decides to pursue it. Research in 2008 suggests that the ratio of necessity to opportunity entrepreneurs in the UK was less than 1:5.¹¹
- 2.6 The Committee heard that the recession and the resulting redundancies would create an increase in necessity entrepreneurs. There already seems to be some evidence of this with one of the main providers of support for business start-ups in London reporting that the number of unemployed users of their services more than doubled between April 2008 and January 2009.¹² Similarly the umbrella body for enterprise agencies in London reported an increase in referrals from Jobcentre Plus.
- 2.7 This creates an increase in demand for advice on business start-ups but also reiterates the importance of the quality of advice needed. As has already been noted in this report, London has a higher rate of business failure than any other region in the UK. Business advice services that focus solely on the number of business start-ups as a measure of success are unlikely to provide what the Committee was told is ‘the reality check’ many of those with a business idea need.
- 2.8 Capital Enterprise queried whether the organisations currently providing quality advice in London can meet this increase in demand. Similarly, the British Library’s Business and IP Centre reported people queuing out of the door to attend a recent event about lessons learnt from failing new businesses. A representative from the Federation of Small Businesses warned that a failure to meet this demand and provide budding necessity entrepreneurs with the correct advice would be “incredibly damaging” in terms of the potential for subsequent failure.
- 2.9 The Committee also heard that the recession was creating an increase in demand for high quality advice services from recent business start-ups. For example, half of existing small business owners surveyed by the Federation of Small Businesses do not feel that they have the

¹¹ *GEM 2008 UK report*, Global Enterprise Monitor, University of Strathclyde, 2009

¹² Written submission from the British Library

advice or information they need to be successful in the current climate. Similarly, one provider carried out research that showed that businesses were looking for advice on sourcing finance, market research and business planning to help them in the current economic climate.

2.10 And while it might be expected that the opportunity entrepreneur will identify ideas and potential market gaps without seeking advice, the Committee also heard the case for a role for the public sector in supporting such entrepreneurs. Tim Campbell, the first winner of BBC's *The Apprentice*, told the Committee that more could be done to encourage young people to become entrepreneurs noting the limited understanding of business in education courses.¹³ Similarly, the Chief Executive of the Heathrow City Partnership drew the Committee's attention to lessons from India and the United States where entrepreneurship is taught.¹⁴

2.11 The Committee is concerned by the decline in entrepreneurial activity in the capital in recent years. This trend precedes the recession which may, in fact, mask this declining trend. This is because job losses are increasing the number of so-called necessity entrepreneurs who may be contemplating using redundancy payments to set up in business and for whom the risks are particularly high. We therefore believe there is a need to ensure there is an adequate supply of high quality business advice services which focuses on both the downsides as well as the upsides of setting up a new business.

2.12 Having established the increased demand and need for high quality support for budding entrepreneurs and recently established businesses, it is important to understand what is currently provided. The next section of this report looks at what services the LDA provides, how this complements and supplements other sources of advice some of which is funded privately and by charities, and how the LDA's contribution compares with the response of other UK regions to the demands created by the recession.

¹³ Economic Development, Culture, Sport and Tourism Committee site visit, 7 May 2009

¹⁴ Ash Verma, Economic Development, Culture, Sport and Tourism Committee meeting, 3 March 2009

Only 10% of start-up firms surveyed by the Committee had paid for business advice.

What support is available in London?

- 2.13 A wide range of organisations provide advice and support services for new businesses and those planning to set up businesses.¹⁵ A basic internet search for these services produces thousands of results. Some are internet based and appear to be funded by advertising on the site. Individual advice, if provided by these companies, is usually charged for. Other privately funded support services include Doug Richard's school for start-ups which charges for seminars and events run by entrepreneurs.
- 2.14 Unsurprisingly, many of those looking to set up a new business are not in a position to pay for advice. Around ten per cent of new businesses surveyed by the Committee for this investigation had paid for business advice.¹⁶
- 2.15 Some advice and support is provided free by charities. One of the highest profile charities supporting budding entrepreneurs is the Bright Ideas Trust run by Tim Campbell (see boxed item). The Trust is funded by mainly by donations from private companies. Other charities focus on particular client groups such as Prime, an initiative founded by HRH the Prince of Wales, which helps people over the age of 50 to start their own business. While the results from such organisations are often impressive, charities do not have the capacity to reach large numbers of entrepreneurs.
- 2.16 Therefore, the majority of free business start-up support and advice is funded, at least in part, by the public sector.¹⁷ In London these range from organisations such as Croydon Business Venture which receives some funding from the local authority but funds its free programmes from rental income and sponsorship, to the network of Enterprise Agencies which receive funding from specific government schemes.
- 2.17 In the capital, the funding for these schemes is mainly channelled through the London Development Agency. As part of this investigation, the Committee asked the LDA for details of the specific

¹⁵ More details of the support available for business start ups in the capital are in Appendix 2.

¹⁶ 257 businesses less than 2 years old based in London were surveyed. *Survey of Londoners who recently set up their own businesses*, London Assembly Economic Development, Culture, Sport and Tourism Committee, June 2009. The full report is available at: <http://www.london.gov.uk/assembly/edcst/index.jsp>

¹⁷ 75 per cent of those surveyed for this investigation went to government-funded bodies for support.

support provided to business start-ups, the funding allocated to each and the outputs from these programmes. Its response is reproduced at Appendix 1.

- 2.18 The LDA points out in its response that most of the programmes it funds, while available to start-ups, are not limited to them and may also be used by established businesses. The information does, however, provide a useful summary of the LDA-funded support available to those wishing to start up a new business in the capital.
- 2.19 The Committee received submissions from providers and others expressing concerns about cuts to support services to business start-up programmes in London. For example, Capital Enterprise pointed to the reduction in the budget of the Business London programme in 2009/10. This programme provides training, advice and mentoring services for those wanting to start a business and for trading businesses with less than five employees.
- 2.20 An independent evaluation of the programme carried out for the LDA and provided to the Committee concluded that it had generated £12.8 million Gross Value Added (GVA) between 2006/07 and 2007/08 and represented “good value” for the 980 net additional jobs created.
- 2.21 The LDA told the Committee that this programme was due to end in 2008/09 and has been extended for one year with LDA funding of £1.5 million as part of the Mayor’s Economic Recovery Action Plan and £669,574 of funding from the Department for Work and Pensions for the extension of the service to Job Centre Plus customers. The total available for the Business London programme is, however, 40 per cent less in 2009/10 than the previous year.
- 2.22 Professor Dan Brown of University College London raised concerns about LDA’s decision to end research and development grants for new businesses. He expressed his frustration at the ending of what he saw as an effective scheme to fund research and development to enable start-ups to get off the ground. He described the scheme as working “superbly”, and concluded:

“I can personally say I have seen over £7 million of money that has been returned to the local economy. That has been scrapped. We were incredulous about a scheme that

The London Development Agency has reduced the budget of the Business London programme for start-ups and small firms by 40%.

was well run, fantastically effective in terms of getting businesses started and it has been removed."

- 2.23 The LDA told us that it had not provided new Research & Development grants since January 2008 because of budgetary pressures and defaults on existing grants. However, officers also said that recent discussions about new business products and London's green zone mean similar grants might be introduced. No details of alternative products are available to date.
- 2.24 Some submissions to the Committee compared the LDA's provision for business start-ups unfavourably with other English regions. It is difficult to make a definitive comparison of overall spending on business start-ups in different English regions. The Committee wrote to each regional development agency (RDA) asking for details of their schemes and funding but it was not provided. It is argued that each region has different needs and such comparisons may not be meaningful.
- 2.25 Nevertheless, a number of examples were provided to the Committee of the apparently different approaches in other regions. Capital Enterprise, a membership organisation for Business Support Organisations in London, argued that all other RDAs were providing more and better funded services to encourage and enable more people to start businesses. It cited the examples of ONE North East which is providing £134 million over the next four years and the North West RDA which announced in January that it will commit £35 million over five years to support start-ups.
- 2.26 The British Business Angels Association also highlighted apparent differences in approach across the English regions in the public provision of early stage equity finance. It pointed to the ending of the LDA supported £15 million London Technology Fund and the £6.65 million Creative Capital Fund and compared this with a £200 million fund in the North West and a £125 million fund in the Yorkshire and Humber region. It concluded: "in contrast to regions in northern England where substantial new regional funds are emerging, the London Mayor is proposing only £7.5 million of additional equity funding for the whole of the London region".
- 2.27 Company Guides Venture Partners, which manages the London Technology Fund, while acknowledging the difficulties in making

The Committee was told that the LDA's provision for start-ups compares unfavourably with other regional development agencies.

regional comparisons, argued that London’s regional technology fund is very small relative to the size of the economy or 'Gross Value Added' (GVA) when compared with other regions. The information the company sent the Committee is reproduced below.¹⁸

Region	GVA	Fund	Size	Description
London	£251 billion	London Technology Fund	£15 million	Co-investment fund (to be invested over 10 years)
North East	£40 billion	NorthStar Equity	£42 million	Proof of concept and co-invest (now investing at £10 m pa which is equivalent to £100 m standard 10 year fund).
North West	£120 billion	Rising Stars Growth Fund	£33 million	Private and public/blended funds. These funds can now be invested across the North.
Scotland	£99 billion	Various	£70 million plus	Seed and co-investment

- 2.28 The Committee also heard criticism of the LDA’s ability to lever in other sources of funding compared with other English regions. For example, the Federation of Small Business pointed to the relative success of One North East in drawing down money made available from the European Investment Bank to support small businesses. The Federation’s London Policy Manager pointed to a lack of a “sense of urgency” in applying for these funds.¹⁹
- 2.29 The general concern about the level of provision for business start-ups in London is best summed up by the submission from the London Borough of Wandsworth. It described two “significant contracts” with the LDA that had enabled the borough to “provide support for over 600 businesses over a period of three years”. Both contracts were discontinued on 31 March 2009 “in spite of requests to the LDA to consider re-profiling or extending the funding”.²⁰

¹⁸ Written submission, Company Guides Venture Partners

¹⁹ Nick Winch, Economic Development, Culture, Sport and Tourism Committee informal meeting, 4 February 2009

²⁰ Written submission, London Borough of Wandsworth

2.30 On the general level of support, the borough's economic development officer concluded:

"I am not sure that the Mayor's own plans are enough to meet the expected growth in the number of new businesses being set up by people losing their jobs during the current recession ... The LDA's draft Investment Strategy failed to prioritise an enhanced offer for start-up businesses and micro firms across London... There is a risk that the increased spend on SME [small and medium sized enterprise] business finance may be wasted unless it is support by more business support and advice."

2.31 Ash Verma, Chief Executive of the Heathrow City Partnership reiterated this view in his comments to the Committee: "I think there is quite a lot of confusion in the marketplace about both central Government and LDA support in terms of the recent announcements. They seem to be targeting more on the medium size enterprises and there does not seem to be very much at all for the start-ups and micros."²¹

2.32 Clearly, organisations which provide business support services will always make the case for more funding. Similarly, the LDA regularly ends certain schemes and establishes new ones and has told the Committee that it is considering options. Nevertheless, the information provided by the LDA to the Committee does not demonstrate convincingly that there is a coherent package of effective business support services to business start-ups, or that there has been any significant enhancement of such a package in the light of the recession.

2.33 Furthermore, there is some evidence that funding has been cut to programmes targeted at business start-ups which have demonstrated good value for money. It is not clear what, if any, alternative provision has been made available beyond a commitment to consider alternative products in the future.

2.34 Similarly, while we accept the argument that the needs of individual English regions are different, the available information suggests the sums being devoted to business start-ups in London are less than in other regions. The

²¹ Ash Verma, Economic Development, Culture, Sport and Tourism Committee meeting, 3 March 2009

reliance of London on its small business sector and the apparent increase in demand for such services suggest, if anything, there is a greater need for these services in the capital.

2.35 We therefore believe there is a case to revisit the Mayor's Economic Recovery Action Plan and the relative priority given to business start-up support within it.

2.36 The Committee recognises that it is now more important than ever that limited resources are directed to those programmes which add greatest value. We note that the LDA had an underspend in its 2008/09 budget, £8 million of which has been allocated to a reserve in 2009/10.²² We also believe that there is potential duplication between some of the provision in the Mayor's Economic Recovery Action Plan and schemes subsequently announced by central government.

2.37 The following section therefore considers how funds could be reallocated to supporting business start-ups in ways that do not increase the overall spend of the LDA. While we believe there may be a case for increasing this spend, we have concentrated on recommendations that we believe can be implemented quickly, to good effect, and can be funded from existing reserves or reallocated from other programmes.

²² *Performance Monitoring Report Month 11 [Public item 3.1]*, London Development Agency Audit Risk and Performance Committee, 9 April 2009 [see http://www.lda.gov.uk/upload/pdf/Public_Item_03_1_Performance_Monitoring_Report_month_11.pdf]

Case study: The Bright Ideas Trust

The Bright Ideas Trust was set up and established by Tim Campbell. Since winning the first series of The Apprentice in 2005, Tim worked with Sir Alan Sugar's 'Amstrad' corporation for two years. In March 2007, he left the company to set up the Bright Ideas Trust. He is now sharing his experiences with budding entrepreneurs.

The Trust is a registered charity that helps young people aged 16 - 30 to set up and run successful businesses. The Trust targets young people with potential but who are currently not achieving all they can, typically those who are currently not in education, employment or training and other socially excluded groups. The Trust supports them with packages that include equity funding and hands on advice and guidance from successful business people. The Bright Ideas Trust 'invests' in these entrepreneurs (or 'beneficiaries') with equity and debt, under the agreement that this money will be paid back as the business grows and becomes successful. The charity receives financial backing from corporate sponsors, including: Accenture; Bank of America; Ernst and Young; Taylor Wessing and GD Law.

So far, Bright Ideas Trust has invested in four entrepreneurs, and plans to invest in approximately 30 businesses during 2009/10. The Trust receives (on average) 30-40 applications per month.

In May 2009, the Chair of the Economic Development, Culture, Sport and Tourism Committee met with Tim Campbell and two of the young entrepreneurs whose business ideas have been backed by his charity in May 2009: Fabien Souzandry who started a production company *V.Ographics Ltd*; and Amariyah Raheem who has started a hair dressing company *La Bella Limited*.

Tim Campbell said: "With the right advice and mentoring London's young entrepreneurs can succeed and turn their bright ideas into successful businesses – they just need targeted support."

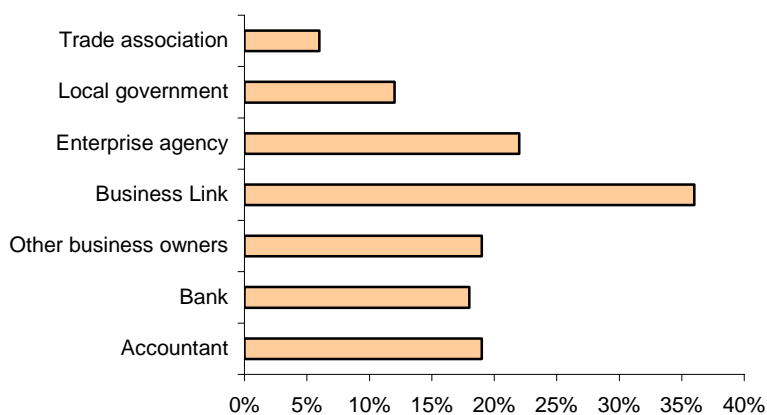
3 What more can the Mayor do to stimulate new businesses?

3.1 This section considers the support available to business start-ups in three broad areas: advice, access to finance, and accommodation. There is potential overlap between these headings. For example, the Committee heard that the changing approach of banks to small business finance which places an increasing emphasis on business plans suggests that increased access to finance may be facilitated by better advice rather than simply providing funds. Nevertheless the three headings provide a useful structure for considering practical ways of increasing the support to those wishing to set up new businesses in the capital.

Advice

3.2 The main source of business advice funded by the LDA is Business Link that receives 69 per cent of LDA funding for small businesses.²³ The LDA describes this as the main gateway to accessing all publicly funded business support and wider business information. It also provides direct support through an on-line toolkit and Business Link advisers help clients during the early stages of running a business by giving appropriate support, information and, where appropriate, referrals to experienced business support providers. Around 30 per cent of those surveyed by the Assembly specifically cited Business Link in their response to questions on the business support they received when setting up their businesses.²⁴

Figure one: Where do start-ups seek advice?



Source: Committee survey

²³ Written submission from the London Development Agency [see Appendix 1]

The LDA funded British Library Business and IP Centre has been praised for its one to one expert support.

- 3.3 The Committee heard some concerns about the advice service provided directly by Business Link. The main concern was that many of its advisers were not entrepreneurs themselves and that the most value is added where people can be advised by others who have gone through the same experiences. A constant theme of the views expressed to the Committee was that advice is most effective when it is provided by people who have “been there and done it”.
- 3.4 Successful entrepreneurs who attended the Committee’s meeting earlier this year stressed this point. Mandy Haberman, creator of a feeder designed for babies with sucking problems, said she had been helped by somebody who was, “effectively a mentor who was very useful and supportive.” Dr Dan Brown, a successful entrepreneur, reiterated the point based on his own experience and made the case for a network of mentoring schemes across London. Similarly, Kanya King, Chief Executive of MOBO, stressed that it was, “important to talk with people who have that wealth of experience”.²⁵
- 3.5 The LDA already provides some funding to organisations which provide this sort of advice. The British Library Business and IP Centre was widely praised in submissions to the Committee for its model of one to one expert support. Mandy Haberman said of the scheme, “I think that rather than thinking ‘what can we do?’ and ‘let’s set up a duplicate’ I think you should just build on that [the British Library Business and IP Centre] because I think they are already 95 per cent of the way there”.
- 3.6 The British Library Business and IP Centre noted in its submission to the Committee that aspiring business people especially value experienced mentors. We welcome the additional funding the LDA has allocated to the Centre in 2009/10 (a 13 per cent increase from 2008/09) but note that the Centres argues there is a need to develop a strategic approach to the delivery of this type of support across London.
- 3.7 As was noted earlier in this report, the Business London scheme that includes in its support one-to-one mentoring has been independently evaluated and shown to demonstrate good value for money. Capital

²⁴ *Survey of Londoners who recently set up their own businesses*, London Assembly Economic Development, Culture, Sport and Tourism Committee, June 2009.

²⁵ Mandy Haberman; Dr Dan Brown; Kanya King, Economic Development, Culture, Sport and Tourism Committee meeting, 3 March 2009

Enterprise argued that Business London funding should be increased to its pre-2009 level of £3.3 million from the current allocation of £1.6 million. It also suggested that the LDA could do more to explore the potential for using partners to provide match funding to enable funds from the European Regional Development Fund to fund “an extended advice and mentoring service for individuals who wish to start a business in London”.

3.8 The Committee believes that there is a case for increasing the LDA funding available to organisations with a proven track record in providing high quality one to one mentoring advice to potential entrepreneurs. This funding should initially be allocated to existing schemes that have the capacity to respond immediately and increase the level of existing provision.

3.9 We recommend that the LDA use £1.4 million of its unallocated £8 million 2009/10 budget to restore Business London to its 2008/09 funding level.

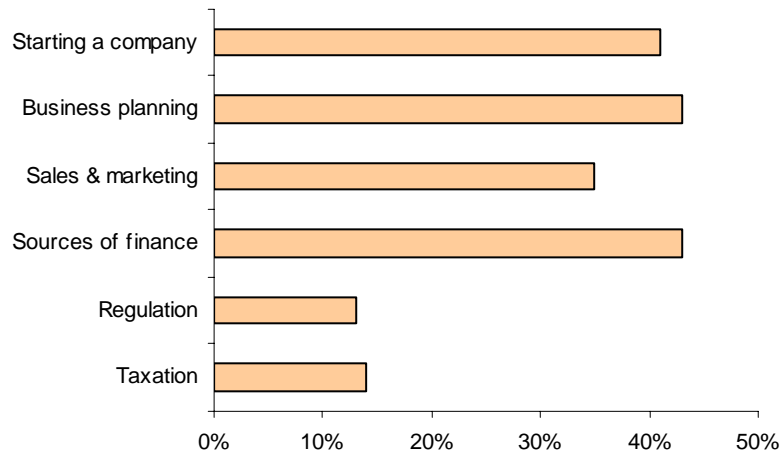
3.10 Furthermore, the Mayor and LDA should work with Capital Enterprise and the British Library Business and IP Centre to develop a strategic approach to the provision of mentoring support for potential entrepreneurs. Appropriate funds should be allocated from the 2008/09 underspend to deliver this strategy and the Mayor and LDA should report back to the Committee on progress with these discussions by October 2009.

Access to finance

3.11 Not all new businesses require start-up finance. Over 40 per cent of those surveyed by the Committee had sought help with finding suitable sources of finance when they had first sought business support.²⁶ It is clear though that it is now more difficult for those that need private finance than it was prior to the credit crunch.

²⁶ *Survey of Londoners who recently set up their own businesses*, London Assembly Economic Development, Culture, Sport and Tourism Committee, June 2009.

Figure two: What do start-ups need advice on?



Source: Committee survey

40% of start-ups in London seek support with finance, according to the Committee's survey.

3.12 It is widely accepted that the recession has reduced the availability of private finance for small businesses and the criteria for lending by the banks is much stricter. It is estimated that 35 per cent of the finance that was available in the market in 2007 has been lost as a result of the Irish and Icelandic banks pulling out of the market.²⁷

3.13 The banks have increasingly moved to a proposition-based model whereby loans are given on the basis of the likely risk of default. This is replacing the asset-based model whereby banks were mainly concerned that borrowers had sufficient collateral to cover the loan.

3.14 The Committee heard that the banks' new approach will be particularly problematic for those looking for loans to start a business. By assessing loan requests against the past track record of a business and the accuracy of income forecasts, rather than the borrower's asset base, banks are raising the bar particularly high for those without a business track record. They may have no previous experience to point to and their income forecasts might be more difficult to justify. This is backed up by the Committee's survey of new businesses, in which

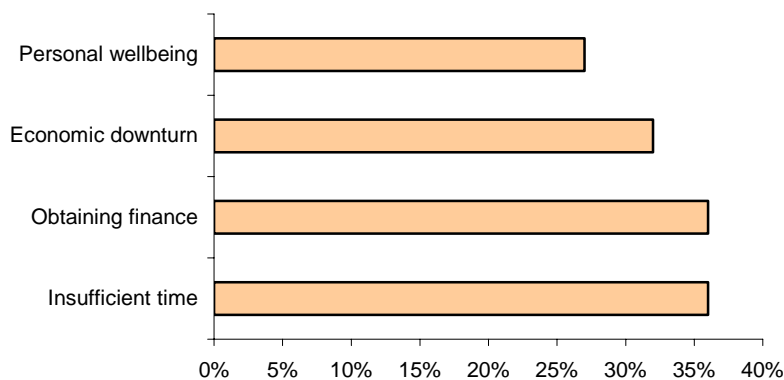
²⁷ Andrew Eastwood, Barclays Bank plc, Economic Development, Culture, Sport and Tourism Committee informal meeting, 4 February 2009

three quarters of respondents who had sought a bank loan in the last 12 months had been unsuccessful.²⁸

3.15 Other sources of private sector finance have also declined. There has been a 30 per cent reduction in the level of Business Angels investment in early stage businesses during 2008 across London.²⁹ Similarly, the National Endowment for Science, Technology and the Arts suggests that over 50 per cent of all early-stage venture capital deals now use public funds and will continue to rely on the public sector because of the withdrawal of private sector investment.³⁰

60% of new businesses seeking finance in the past year have been unsuccessful.

Figure three: Why do start-ups fail?



Source: Committee survey

3.16 Not surprisingly therefore, existing small firms and those looking to start-up are reporting difficulties with attracting loans. The CBI Access to Finance Survey published in February 2009 found that 63 per cent of existing firms that sought new finance said its availability had worsened in the last three months.³¹ This experience is shared by start-ups. In response to the Committee’s survey of new businesses, just over three quarters of new businesses that had sought finance in the last 12 months reported experiencing difficulties with 60 per cent of these ultimately reporting that they were unsuccessful. We also surveyed a small number of new business that had recently failed, and

²⁸ *Survey of Londoners who recently set up their own businesses*, London Assembly Economic Development, Culture, Sport and Tourism Committee, June 2009.

²⁹ Written submission, British Business Angels Association

³⁰ *Stimulating Venture Capital – the need for a new £1 billion fund*, National Endowment for Science, Technology and the Arts, December 2008

³¹ *Access to Finance Survey*, Confederation of British Industry, February 2009

The budget of the LDA funded Access to Finance scheme has been cut by 13% in 2009/10.

36 per cent of these cited difficulties in obtaining finance as a reason for their failure.³²

- 3.17 The Mayor recognised the difficulties small firms are facing in attracting finance with the announcement in December 2008 of his proposed £10 million Economic Recovery Investment Fund. This suggests an acknowledgement that there is some element of market failure in small firms' access to finance. However, it is not yet clear what additional funds will be available for the financing of new businesses and as was noted above finance schemes previously funded by the LDA such as the Research and Development grants, the London Technology Fund and the Creative Capital Fund have been ended.
- 3.18 Also the LDA funded Access to Finance scheme has been cut by 13 per cent in 2009/10. This scheme does not provide finance directly but includes one-to-one support from a business advisor to help the business produce a business or investment plan.
- 3.19 The announcement of the new £10 million Economic Recovery Investment Fund stated that it would help existing small and medium sized enterprises (SMEs) access loans and include an equity finance programme to provide start-up/early stage funding.³³ The update to the Action Plan in March 2009 said that a £2.5 million fund for established SMEs would be launched in mid April.³⁴ In mid June the Mayor announced this fund would be increased to £3 million, although by that date only two firms had successfully applied for loans from the fund.³⁵ There was also a commitment, "to create by January 2010 a new Investment Fund using £7.5m of European Regional Development Fund (ERDF)." It is not yet clear what the criteria will be for this ERDF investment fund and how much will be available to start-ups.
- 3.20 The Government announced in January 2009 that it was making an additional £1.3 billion of bank loans available to small firms with a

³² 22 failed businesses were included in the Committee's survey. *Survey of Londoners who recently set up their own businesses*, London Assembly Economic Development, Culture, Sport and Tourism Committee, June 2009.

³³ *The Mayor's Economic Recovery Plan*, Greater London Authority, December 2008

³⁴ The fund is available only to firms that have been trading for at least 12 months. *Economic Recovery Plan Update*, Greater London Authority, April 2009

³⁵ *Mayor offers financial release for capital's small businesses*, Press release, Greater London Authority, 11 June 2009

turnover of up to £25 million as part of its Enterprise Finance Guarantee Scheme. Ash Verma, Chief Executive of the Heathrow City Partnership, told the Committee that there was potential for the Mayor's Recovery Investment Fund to duplicate this provision and there was a case for targeting funds specifically at start-ups.³⁶

3.21 The Committee notes that 75 per cent of the Mayor's Economic Recovery Investment Fund announced last year will not be available until 2010. It recommends that the Mayor and LDA bring forward this date to meet the current need of start-ups who are struggling to access finance. Also we recommend that, in recognition of the fact that the government's Enterprise Finance Guarantee Scheme is targeting existing SMEs, the remaining £7.5 million of the Economic Recovery Investment fund should be provided solely for start-ups and early stage funding.

3.22 The Committee also notes that even if this recommendation is accepted it will not replace the reductions in finance for start-ups since January 2008. We therefore urge the Mayor to consider the potential to increase this provision and to set out in his response to this Report how he plans to address the unmet demand for start-up finance created by the ending of the £7 million research and development grants, the £15 million London technology fund and the £6.65 million Creative Capital Fund.

Accommodation

3.23 Many new businesses start small and often from the owners' own home. The need for business accommodation tends to come when the business grows. Only around nine per cent of respondents to our survey reported that they had sought help with finding suitable business premises when they had first sought business support.³⁷

³⁶ Ash Verma, Economic Development, Culture, Sport and Tourism Committee meeting, 3 March 2009

³⁷ *Survey of Londoners who recently set up their own businesses*, London Assembly Economic Development, Culture, Sport and Tourism Committee, June 2009.

A small minority of start-up firms in London require support to find suitable premises.

3.24 The LDA has concluded that there is no market failure in the supply of accommodation for business start-ups apart from in the technology sector.³⁸ Although a number of submissions to the Committee highlighted problems with the cost and availability of business accommodation, it is likely that this is a larger concern for businesses that have been established longer and are looking to expand. There is little to contradict the LDA's view that there is no significant market failure, justifying a large-scale intervention, in relation to start-ups.

3.25 Furthermore, the recession is likely to result in more properties being empty and prices falling. One in ten high street shops in London are presently empty and this is expected to increase to one in seven by the end of 2009.³⁹ Average office rents in the capital have fallen 38 per cent in the last 12 months.⁴⁰ These circumstances should create opportunities for new businesses looking to expand.

3.26 We support the LDA's view that there is no substantial market failure in the provision of business accommodation. This is particularly the case for new businesses, which do not generally require separate accommodation.

3.27 There may however be a limited but effective role for the LDA in ensuring that start-ups can take advantage of the new market conditions. For example, Capital Enterprise, the umbrella body for enterprise agencies in London, argues that the number of empty properties is as much about cost as reduced demand. It is working with London's major landlords to develop an Empty Property Scheme that will incentivise landlords to let their empty properties on affordable and flexible terms to new businesses.

3.28 This is an area where the influence of the Mayor could be substantial and LDA support for the scheme could make a real difference in terms of marketing, facilitating contact with landlords and working with local authorities to identify and offer empty properties to business start-ups at reasonable rates.

3.29 We recommend that the LDA discuss with Capital Enterprise the potential for supporting its Empty Property Scheme and to

³⁸ Written submission from the London Development Agency [see Appendix 1]

³⁹ Experian, March 2009

⁴⁰ Research by property consultants reported in *London's economy today*, Greater London Authority, May 2009

identify ways in which the Mayor and LDA could use their influence to increase the affordability of empty business properties in London. The LDA should report back to the Committee by October 2009 on progress with these discussions.

Appendix 1 London Development Agency submissions

1. What specific support does the LDA currently provide to business start-ups in relation to access to finance, accommodation and business advice? How much funding is allocated for this support? What are the measurable outcomes including the number of business start-ups supported in recent years?

The LDA programmes detailed here are all on offer to start-ups, but are not in all cases limited to supporting new businesses. The overall package of assistance is outlined below along with programme outcomes, which may include pre-starts and established businesses (split out where possible).

Access to Finance

The Access to Finance programme is designed to help businesses across London raise finance to start-up or further develop their business.⁴¹

Since the programme commenced in April 2003, 3,617 start-up businesses have received half day training sessions which raised awareness for accessing finance. 1,882 start-ups went on to receive up to 5 days of intensive support to help them to be finance ready and help prepare compelling business cases in order to access external finance. Resulting from this activity, 676 London start-ups raised £25 million in finance.

Gateway to Investment (g2i) (www.g2i.org)

This is an investment readiness programme delivering early stage private investment to young businesses.⁴² It is designed to maximize the success of London based companies in raising private investment. Delivered by a consortium of private sector specialists, g2i offers advice, support and assistance to help companies develop their teams, propositions and pitches to become 'investor ready'.

Since December 2004, this programme has supported 766 businesses at varying levels of intensity, from introductory seminars through to introductions to investors. Resulting from this activity, 36 businesses have successfully attracted investment and raised £27 million of private equity.

⁴¹ This scheme is being re-launched as part of the Economic Recovery Action Plan

⁴² This scheme is being re-launched as part of the Economic Recovery Action Plan

Community Development Finance Institutions (CDFIs)

Community Development Finance Institutions (CDFIs) provide loans and other financial services to SMEs experiencing difficulty in accessing mainstream finance. CDFIs are independent organisations that offer both business support and direct finance for those struggling to raise finance.

Between April 2007 and December 2008, CDFIs in London assisted 305 businesses and provided £3.2 million in loans to SMEs.

Business Link in London (BLIL) (www.businesslink.gov.uk/london)

Business Link is London's gateway to accessing all publicly funded business support and wider business information. BLIL provides some direct support to start-ups; for example an online tool 'StartQuest' takes entrepreneurs through a 6 week programme to develop their business idea and operation, sending regular information feeds. Business Link advisers also help clients during the early stages of running a business by giving appropriate support, information and referrals to experienced business support providers.

In the 12 months to January 2009, BLIL supported 11,478 start-ups in London through the delivery of information and advice, either upon request or via a broad range of access channels. 920 start-ups received more intensive assistance through an individual two hour review with a business adviser.

Business London

Business London compliments the information service by the Business Link in London, by providing intensive one to many and individual support to start-up businesses across London, under the leadership of five regional partners. The Business London programme is available to pre-starts, start-ups and micro businesses and provides a flexible package of support. Assistance is tailored to meet the individual's needs and delivered via one-to-one mentoring, workshops and events. Individuals on the programme receive help in key areas such as business planning, book-keeping and marketing.

Since the programme began in 2006, Business London has provided support to 5,564 start-up businesses and helped 458 individuals to

start their business (which were still trading 12 months later). The Business London programme defines start-ups as those who have been trading for less than 18 months.

As part of the Business London extension under the Mayor's Economic Recovery Action Plan the lead organisations in each consortium have been asked to prepare delivery plans to address the specific needs of their sub-regions. These enterprise organisations know their sub-regions very well and will be able to suggest the appropriate services for their clients and the balance of services between start-up for new entrepreneurs and micro support to assist with the survivability of young businesses. There may be significant differences between areas within sub-regions: e.g. commuter areas may have a higher number of redundant staff interested in start-up options.

British Library Business & IP Centre (www.bl.uk/bipc/index.html)

The British Library provides aspiring entrepreneurs and innovators with information on how to develop and explore their ideas; from inspiration to planning, to research, marketing, launch and business growth. To provide such a comprehensive service, British Library draws on an unrivalled collection of business resources and provides a rapid response to a wide range of enquiries. By exploring the Library's collection, an entrepreneur is able to determine whether their particular idea is already patented and conduct market research into a particular market.

Since its development in April 2007, the Business and IP Centre has supported 2,878 entrepreneurs and business owners to start or grow their business.

Accommodation

The LDA commissioned research in 2006 to examine the provision of business accommodation for SMEs in London. Although this report was not published, the conclusion stated that in the main there was no market failure in the supply of mainstream accommodation for SMEs, except in some sectors, namely, technology SMEs.

The LDA intervention for business accommodation addresses the market failure posed for London's technology SMEs. The LDA Life Sciences Action Plan has helped support the creation of three high

tech business incubators. These are the London BioScience Innovation Centre at the Royal Veterinary College, where the LDA has invested c£2.7M; Imperial College Incubator where the LDA invested c£7.0M and Queen Mary's Technology Centre where the LDA is investing c £11.0M.

2. What options (if any) has the LDA considered to increase support for business start-ups in the light of the economic downturn to replace those businesses which have been forced to close? Should certain sectors be prioritised and if so, why?

As part of supporting SMEs (including business start-ups) through the current economic conditions, the LDA contributed a £23m package of measures to support the Mayor's Economic Recovery Action Plan (ERAP) announced in December 2008. These measures cover core business support and employee skills development needs, and not only aims to support start-up needs through these current difficult conditions, but also prepares start-ups to be better able to grow and increase productivity as the economic conditions recover.

As start-ups are part of the SME business make-up in London, it is also important that the LDA supports established and growing businesses to create, and increasingly common to safeguard, jobs.

As the ERAP measures are rolled out, the LDA will be reviewing the effectiveness of them, and also monitoring the economic conditions with a view to potentially introduce new measures if required and where resources available. This work will be in conjunction with the longer term planning of London's business support needs which will be aligned to the national government's Solutions for Business framework.

In responding to the current economic downturn the LDA has not at this juncture decided to prioritise specific sectors for increased business start-up support. This is primarily because of the dynamic nature of the economic downturn and the uncertainty of any predictions as to what London's economic landscape will look like - from a sectoral perspective - once we are through the current downturn. The exception to this is the emphasis we are placing on pursuing the opportunities that we are confident will present themselves and that arise from a focus on "green" as London strives to

position itself as the low carbon city i.e. London as the low carbon capital.

To ensure that London's business needs are met, the Agency through its new Investment Strategy approach and the adoption of central government's Solutions for Business framework will develop new business support products that will be tailored to meet London's SME's business needs by incorporating feedback from SMEs about the strengths and weaknesses of existing offerings.

3. Will the Mayor's direction on funding for the sporting legacy have an effect on LDA funding available for supporting small businesses?

Due to the LDA, like most other public sector bodies, having a finite set of resources which are insufficient to meet all the priorities, all investment decisions will be at the expense of something else. Thus it is all a matter of informed choice. The Mayor's direction on funding to increase sports participation and engagement will yield different positive economic outcomes to that which may have been secured if the resources had been directed at other initiatives.

4. What priority will the LDA give to encouraging small business start-ups over the next 4 years relative to its general support for business?

The LDA through adopting Solutions for Business will develop a product portfolio that is tailored to support London business needs. Products in the portfolio address businesses at all stages of their development, and therefore the LDA will offer a core level of business support targeted at start-ups. Future investment priorities on which products to develop and deploy will be subject to LDA's new Corporate Investment Strategy and Enterprise Strategy.

5. How is the success/performance of Business Link services evaluated and how is criticism and feedback (specifically relating to services offered to business start-ups and potential entrepreneurs) incorporated into the new Businesslink contract for 2010?

Business Link in London is delivered to a national framework, developed by BERR and implemented by the Business Link Management Group (currently led by the East Midlands Development Agency). The LDA is responsible for Business Link in London, which the LDA procured and the service commenced in 2007 with an initial

contract end date of March 2010. The LDA is accountable for and manages the Business Link in London contract.

The success / performance of Business Link in London is evaluated in three ways:

- i) Ongoing performance management
- ii) LDA economic impact evaluation
- iii) BERR performance management

Ongoing performance management

The LDA's contract management team monitors BLiL's performance against contractual targets, the annual delivery plan and operational performance in a number of key service areas. A key dimension of the performance monitoring is customer satisfaction, which is a contractual target, set at 87% for 2008/09.

This parameter is measured through regular customer survey undertaken by an independent marketing company, which surveys 650 clients every 3 months. The survey question set and methodology is determined by BERR and revised annually in line with national priorities and service developments.

Anonymous information from this survey is fed directly into Business Link's operations, and is used to ensure that client expectations are met as far as possible. The BLiL service also commissions independent mystery shoppers to test the service regularly.

The LDA also follows up on any comments received by the Agency relating to the Business Link in London service from clients or stakeholders. All compliments and complaints are managed by BLiL and action implemented as appropriate to remedy any issues.

LDA interim economic impact evaluation

In May 2008 the LDA contracted an independent team to undertake a comprehensive evaluation of the current Business Link in London service. This evaluation involved a range of interviews with customers; external stakeholders, suppliers and other groups. The final report was completed in October 2008 and findings were used to further develop the service in 2009/10 and to inform the strategic planning for the re-procurement of Business Link.

BERR performance management

BERR requires all regional development agencies to report performance against the national framework on a quarterly basis. Though regions are not directly comparable, this reporting provides an opportunity to compare performance against contractual targets per region.

Business Link re-procurement

Planning for the Business Link re-procurement is underway. As part of this a Business Advisory group is being established to ensure that the voice of the business community is incorporated in the specification for the tender

6. Please detail any future plans the LDA is developing to support businesses to start in London if these are not already covered in the answers to previous questions.

We are keen to support young businesses, especially during this difficult economic time. While there are no specific additional programs right now, we are constantly monitoring the needs of start-up and growing businesses.

Further information

The LDA provided further information of the funding for these programmes in a letter to the Chair of the Economic Development, Culture, Sport and Tourism Committee of 5 June:

LDA Business Support Product	2008/09 Budget Expenditure	2009/10 Budget Allocation
Access to Finance	£1,614,267	£1,400,000
Gateway to Investment	£1,345,958	£1,500,000
Community Development Finance Institutions (CFDI)	£755,883	£961,000
Business Link in London	£17,295,397 ⁴³	£17,941,000 ⁴⁴
British Library Business & IP Centre	£600,000	£675,000
Business London	£3,599,563 ⁴⁵	£2,169,574 ⁴⁶

The 09/10 Budget allocation is driven by many factors, including (i) the LDA's move to a Solutions for Business (SfB) portfolio approach, as mandated by BERR, for business support programmes; (ii) research on SME needs and market failures; and (iii) evaluation of effectiveness of existing LDA and non-LDA products. Increasingly, projects will be developed and delivered using a commissioning approach, whereby we set forth the outcomes we aim to achieve, and then engage the provider market to propose solutions. We will put in place flexible contracts with providers to enable us to alter arrangements should that be appropriate for changing market conditions.

⁴³ Note this is the fully funded delivery cost for 2008/09 however this cost was revised down due to service adjustments and efficiency savings accruing from prior years and reflected in payments in 2008/09. As a result the actual payments in 2008/09 made by the LDA were £16,424,308 whereas the value of the service delivered was £17,295,397.

⁴⁴ Notes funding committed to the provider as at 3/6/2009. The LDA has also provisionally designated additional funding under the Economic Recovery Action Plan (ERAP) to continue the current Rapid Response service as part of Business Link during 2009/10 and so this figure may increase if the pilot to this service dimension concludes successfully.

⁴⁵ Includes the Micro and Start-up aspects of the Business London service funded by the LDA

⁴⁶ Including £1,500,000 for the extension of this service beyond the original contract period under ERAP and a further £669,574 of funding from DWP for the extension of this service to Job Centre Plus customers.

Appendix 2 Support for new businesses in London

There are many organisations providing support for business start-ups in London. We have identified support as including:

- **Access to finance:** Seed funding provided to start-ups, assisting start-ups to acquire seed funding; and bringing awareness to currently available finance
- **Business advice:** Start-up knowledge of the 'up and downside' of business, financial and marketing management, business planning and networking skills.
- **Accommodation:** Provision of suitable premises and/or preferential terms for lease.

The following organisations are involved in commissioning or providing support:

- **The London Development Agency:** see Appendix 1 for details of various schemes including Business Link in London, the Access to Finance programme and the Business London programme. The LDA has specific targets to create and sustain new businesses.
- **Enterprise agencies:** many exist across London. Capital Enterprise is the umbrella organisation for some and categorises four types of agency in the following way:
 1. Not for Profit Enterprise Agencies, the majority of which are presently engaged in delivering the LDA commissioned Business London service for start-up businesses in London.
 2. Charitable Trusts engaged in providing support services to new and trading entrepreneurs who are predominately from disadvantaged backgrounds. The most well known of these organisations is the Prince's Trust.
 3. Private sector Business Support Organisations that specialise in delivering publicly funded enterprise support services in London.
 4. Universities and Academic Institutions that provide enterprise support services to London entrepreneurs. Some of the agencies get referrals from Business Link in London to provide detailed support for business start-ups and some also deliver the LDA's Business London

programme. Include charities, non-for-profit organisations, private sector organisations.

- **London Boroughs:** 18 London Boroughs have provided written responses. They provide a range of direct and indirect support to start ups; for example some have their own economic regeneration officers to help new businesses, while others fund activities of local enterprise agencies.
- **Central Government:** in recent years it has focused on simplifying business support services and also encouraging enterprise. In March 2008 the Government published an enterprise strategy which sets out how it would encourage further business start-up and growth. Other key initiatives include: Working Capital Scheme; Enterprise Finance Guarantee Scheme; Capital for Enterprise Scheme; Business Support Simplification Scheme; Local Enterprise Growth Initiative.

Appendix 3 Views and information

During this investigation the Economic Development, Culture, Sport and Tourism Committee held meetings with experts and stakeholders. Those who attended the meetings are listed below. Where available transcripts can be found at:

<http://www.london.gov.uk/assembly/edcst/index.jsp>

Tony Sarin, Asian Business Association
Andrew Eastwood, Barclays Bank
Gabrielle Rose, British Library
John Spindler, Capital Enterprise
Nick Winch, Federation of Small Business
Mandy Haberman, Haberman Associates
Ash Verma, Heathrow City Partnership
Kanya King MBE, Music of Black Origin
Dr Dan Brown, University College London

The Committee invited written submissions to help inform this investigation. Submissions were received from the individuals and organisations listed below. Submissions can be found at:

<http://www.london.gov.uk/assembly/reports/econsd.jsp>

Professor Alistair Anderson
Barking & Dagenham Enterprise
British Business Angles Association
British Library Business and IP Centre
Broadland Council
Business Focus@Bromley College
Capital Enterprise
City of London Corporation
Company Guides Venture Partners
Croydon Business Venture
Councillor Maurice Groves
Enterprise Enfield
Federation of Small Business
Greater London Enterprise
Harrow in Business
Heathrow City Partnership
Hounslow for Business
Lloyds Banking Group
London Borough of Barking and Dagenham
London Borough of Bexley
London Borough of Bromley

London Borough of Camden
London Borough of Croydon
London Borough of Ealing
London Borough of Enfield
London Borough of Greenwich
London Borough of Hackney
London Borough of Haringey
London Borough of Havering
London Borough of Hillingdon
London Borough of Lambeth
London Borough of Merton
London Borough of Newham
London Borough of Richmond upon Thames
London Borough of Southwark
London Borough of Tower Hamlets
London Borough of Wandsworth
London Business Development Corporation
London Development Agency
London South Bank University
Make Your Mark Enterprise Insight
Mayor of London
Merton Chamber of Commerce
Michaelson Diagnostics
Presafe
Prime
Royal Bank of Scotland
Royal Borough of Kingston upon Thames
School for Start-Ups
Shell LiveWire
Smarta
Social Enterprise London
Transport for London
Wandsworth Youth Enterprise Centre
Westminster City Council
David Wilcox

The Committee also commissioned a survey of Londoners who recently set up their own businesses. This was conducted by Prevista in May-June 2009, and the final report can be found at:
<http://www.london.gov.uk/assembly/edcst/index.jsp>

The Committee also visited entrepreneurs supported by the Bright Ideas Trust, discussing the support available for start-ups with the Trust founder Tim Campbell and two business owners Amariyah Raheem and Fabien Sozandry. A note of this visit can be found at: <http://www.london.gov.uk/assembly/edcst/index.jsp>

Appendix 4 Orders and translations

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Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

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Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Hindi

यदि आपको इस दस्तावेज़ का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে যোগাযোগ করুন অথবা উল্লিখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করুন।

Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں درکار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

Arabic

الوصول على ملخص لهذا المستند بلغة،
فجاء الاتصال برقم الهاتف أو الاتصال على
العنوان البريدي العادي أو عنوان البريد
الإلكتروني أعلاه.

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોડતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઇલ સરનામા પર અમારો સંપર્ક કરો.

Appendix 5 Principles of scrutiny

An aim for action

An Assembly scrutiny is not an end in itself. It aims for action to achieve improvement.

Independence

An Assembly scrutiny is conducted with objectivity; nothing should be done that could impair the independence of the process.

Holding the Mayor to account

The Assembly rigorously examines all aspects of the Mayor's strategies.

Inclusiveness

An Assembly scrutiny consults widely, having regard to issues of timeliness and cost.

Constructiveness

The Assembly conducts its scrutinies and investigations in a positive manner, recognising the need to work with stakeholders and the Mayor to achieve improvement.

Value for money

When conducting a scrutiny the Assembly is conscious of the need to spend public money effectively.

Greater London Authority

City Hall

The Queen's Walk

More London

London SE1 2AA

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